BUSINESS

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BUSINESS BRIEFS

• WALL STREET

Markets closed

U.S. markets were closed Monday in celebration of Presidents' Day. Markets reopen today.

• AIRCRAFT

Sikorsky workers strike

Nearly 3,600 Sikorsky Aircraft workers in Connecticut and Florida went on strike Monday, blaming higher health insurance costs in the company's contract offer as the reason for their walkout.

Workers with Local 1150 of the Teamsters overwhelmingly rejected the contract and voted Sunday in favor of the strike, the company's first since 1963. The union represents 3,500 workers at the helicopter-maker in Connecticut and 90 in Florida.

Union members began picketing early Monday morning at the company's Stratford headquarters and locations in West Haven, Bridgeport and Shelton, Conn., and West Palm Beach. The most recent contract expired at midnight Sunday.

• TECHNOLOGY

IGEL expands office

U.S. sales of Linux-based and Windows-based terminals have gone well for German-based IGEL Technology, prompting it to establish its U.S. headquarters in Fort Lauderdale.

IGEL Technology expects to double its 10-person Fort Lauderdale staff this year as it increases sales of its inexpensive computers, or "thin-client devices." Last year, it said sales increased fivefold to 15,000 units. The devices sell for about $400 each.

IGEL's thin clients, operating system and Remote Management Suite software are geared to companies that want to manage information technology from a central location.

• HEALTHCARE

Bioheart has patent deal

Bioheart, a Sunrise company that's working on technology to regenerate damaged heart muscles, has entered into a patent-licensing agreement with Cleveland Clinic Hospital.

The agreement will allow Bioheart to develop a minimum of three new products to treat heart-failure patients and the first right of refusal on related product developments.

Bioheart's treatment involves extracting thigh muscle cells from a heart-attack victim. The cells are cultured and then injected into the thigh muscle, which is connected by catheter to the left ventricle. The cells help regenerate the damaged heart muscle and increase the volume of blood pumped by the heart.

The licensing agreement lets Bioheart modify its cells with the intent of a faster recovery for patients.

• BUSINESS

BBB opens San Juan office

The Better Business Bureau of Southeast Florida & the Caribbean said Monday that it has opened an outreach office in San Juan, Puerto Rico.

DACO, the consumer affairs department for the island, will refer business complaints against BBB members to the BBB first, and then step in if the issue remains unresolved, the bureau said.

The bureau will also provide business materials, consumer tips and complaint resolution services.

• RETAIL

RadioShack's CEO resigns

RadioShack Corp.'s embattled president and CEO David Edmondson resigned Monday following questions about his résumé.

The electronics retailer said that its board accepted his resignation and had promoted Claire Babrowski, who most recently served as executive vice president and chief operating officer, to acting chief executive.

On Wednesday the Fort Worth, Texas, company said it would hire outside lawyers to investigate errors in Edmondson's résumé, including claims that he earned two college degrees for which the school he attended has no records.

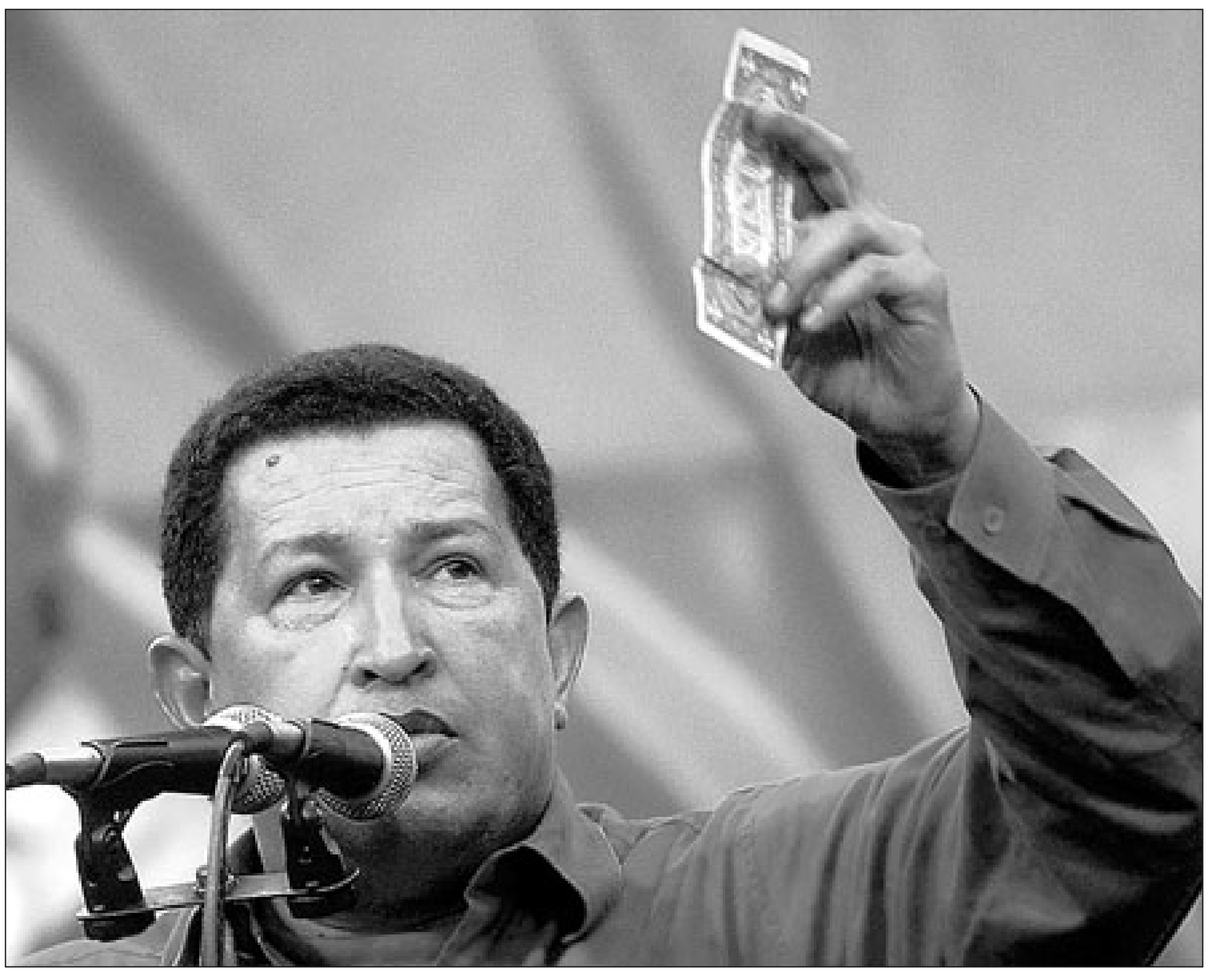
• MANUFACTURING

Henkel buys deodorants

Henkel, the German maker of Persil detergent and Dial soap, has agreed to pay Procter & Gamble Co. about $420 million to buy some Gillette deodorant brands including Right Guard, Soft & Dri and Dry Idea.

Henkel expects the purchase of the deodorant brands, which had combined sales of $275 million last year, to be completed by March 31 by its Dial deodorant unit.

OIL



AP FILE, 2005

OIL BONANZA: Venezuelan President Hugo Chávez has raised royalty rates and forced ExxonMobil out of a $3 billion project. Chávez is using oil money to finance his social agenda.

The oil patch is getting rocky for ExxonMobil as Hugo Chávez puts the squeeze on the U.S. oil giant.

POWER PLAY

BY STEVEN DUDLEY
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BOGOTA — A battle of the titans is shaping up in Venezuela as President Hugo Chávez looks to make an example of ExxonMobil in his quest to "renationalize" the oil industry.

Earlier this month, Chávez forced the company out of a $3 billion olefins project ExxonMobil had been developing for years in conjunction with Pequiven, the Venezuelan state petrochemical company. In a statement, Chávez made it clear the company did not leave voluntarily.

"For us, it's more important to have South American oil companies than U.S. companies," he said.

The Exxon incident is one more episode in the deteriorating relationship between Chávez, a self-declared socialist and Fidel Castro ally, and the U.S. government. On Friday, Chávez reiterated an oft-repeated threat to take steps to cut off oil shipments to the United States in case Washington "crosses the line."

In December, ExxonMobil sold its 25 percent stake in the Quiamare-La Ceiba field to a Spanish company rather than accept new legislation requiring the state have at least a 51 percent stake in all privately-held oil fields.

ExxonMobil, the world's largest publicly traded oil company, has downplayed the events and insists its relations with the Chávez government remain sound.

"ExxonMobil maintains a mutually respectful relationship with [Venezuelan state oil company Petróleos de Venezuela] PDV as an important partner in our operations in Venezuela," the company's public affairs director in Venezuela, Richard Bailey, wrote to The Miami Herald in an e-mail. "ExxonMobil has a long history in Venezuela, and our operations continue."

But the company was clearly rankled, especially by the decision regarding the petrochemicals plant. "If completed consistent with the agreement principles, the project would have provided globally competitive plastics to the Venezuela and world markets," it said in a statement.

ROYALTIES HIKED

These weren't the first setbacks to ExxonMobil's Venezuelan operations since Chávez took office in 1999. In 2002, the company was forced out of its operations in the Mariscal Sucre $2.2 billion liquid natural gas project in favor of British oil giant and chief rival Royal Dutch Shell (Shell and partner Mitsubishi were later excluded from the project as well). Last year, the government raised royalties on heavy oil projects in the Orinoco from 1 percent to 16.6 percent and will likely raise them again this year to 30 percent.

ExxonMobil was the only company to publicly voice its discontent with this royalty increase. Others — such as Spain's Repsol YPF, U.S. companies ConocoPhillips and Chevron, and France's Total — have swallowed the government's actions without comment and seemed to have entered a strange sort of détente, analysts and consultants say.

"Obviously, there's a sense of frustration in terms of when it is going to end and how is the whole process is going to work," Roger Tissot, a consultant with PFC Energy, said of the government policy changes in Venezuela. "[But] perhaps we're reaching a new equilibrium in Venezuela."

Despite its recent setbacks in Venezuela, ExxonMobil is maintaining a positive outlook, saying it is there for the long haul.

Oil has been at the center of the Venezuela's economy for decades, mostly under the control of the state's powerful oil company, PDVSA. The country is the world's fifth-largest oil exporter and has the world's largest reserves outside the Middle East. The United States relies on Venezuela for about 13 percent of its daily oil imports — anywhere between 1 million and 1.5 million barrels per day.

But when PDVSA was unable to exploit some oil-producing areas of the country due to high investment costs, the government opened up the oil sector to foreign operators in the 1990s under very favorable terms. Today nearly half of Venezuela's estimated 2.6 million barrels per day of production comes from foreign-run fields.

CONTRACTS CHANGED

Last year, Chávez began to alter agreements he deemed unfair. The government raised royalties on the heavy oil projects, then changed the tax code for foreign oil companies. Tax authorities have levied back taxes on some of these companies dating back from 2000 totaling in the billions of dollars.

Most recently, the government forced some 32 foreign firms to accept that PDVSA would have a majority stake in their fields. Some analysts say the Venezuelan government's change in attitude is purely a function of high oil prices.

The alterations in oil policy come amid widespread changes in government policy with regards to private capital. Chávez has started an aggressive social program of taking control over private lands and factories the government deems "idle," in a bid to redistribute this private capital to peasants and workers.

He has also used billions in PDVSA oil revenue and petroleum royalties to finance health, education and housing programs. PFC's Tissot said oil companies and the government need each other.

"They are aware that they need these oil companies to go on producing [oil]," he said, referring to the government. "Also, they need those royalties because that's what is helping the government keep up social spending, income redistribution."

FIRMS ACQUIESCING

Most foreign oil companies have quietly accepted the new rules; some have even praised the government for its generous attitude. Mazhar al-Shereidah, professor of petroleum economy at the Central University of Venezuela who consults with the government on oil issues, says that's because the companies are getting a good deal in Venezuela.

"I see it as an unexpected gift," he told The Miami Herald. "Why? Because . . . the [government] is giving the [foreign companies] entry to operate in fields that not only have huge proven reserves, but also have all the infrastructure for production and transport practically to the refinery or to the port for export."

ExxonMobil insists it is in Venezuela for the duration.

"ExxonMobil has always had a long-term view of its operations in Venezuela," Bailey told The Miami Herald in his e-mail.

UTILITIES

Audit raises concern on FPL costs

■ **Florida auditors want more information about certain hurricane expenses FPL wants customers to repay.**

BY KRISTI E. SWARTZ
Palm Beach Post

Auditors for the Florida Public Service Commission have questions about $90 million of the $826.9 million Florida Power & Light Co. wants to collect from consumers for expenses racked up during hurricanes Wilma, Katrina and Rita.

The amount is part of $1.66 billion that FPL, the utility arm of Juno Beach-based FPL Group, has asked the PSC to sell in bonds to pay for costs incurred in the 2005 hurricanes.

FPL wants to use that money, which it would collect from customers over a 12-year period, to pay for the remaining costs of the 2004 hurricanes, as well as build up a reserve for storms that arrive in years to come.

MONTHLY SURCHARGE

If approved, the utility's 4.3 million business and household customers would pay an average monthly surcharge of $1.58, substituting for a $1.68 surcharge consumers have been paying to take care of 2004 storm costs.

Among the flagged items the staff suggests the PSC should examine further is $26.1 million in regular salaries paid to FPL employees, as well as $768,000 the utility marked as "incentives." The auditing staff said consumers already paid the salaries as part of basic utility rates and should not have to pay them again under the guise of a storm surcharge.

'DOUBLE COUNTING'

"What they want to do is take the normal salaries of people and put them in when they work on the hurricane, and in our view, that's double counting," said Deputy Counsel Charlie Beck, whose office represents consumers in utility issues. "We fought this last time and won, but they are doing it again."

FPL spokesman Bill Swank said Monday the utility is reviewing the audit staff's response.

"We're confident that when they see it spelled out in detail, that they will find that these were prudently incurred costs and related to storm restoration," Swank said.

QUESTIONED ITEMS

Other items the audit staff flagged include: $1.5 million in landscaping costs; $10.1 million in storm preparation costs; and $2.6 million in advertising expenses.

Any questionable items are just that: things the PSC should take a look at more closely.

"They are bringing these things to the commission's attention, but the commission ultimately is the one [that] makes the decisions," PSC spokesman Kevin Bloom said.

SMART BOX

FPL'S PLAN

Consumers would pay about $1.58 a month for a decade to reimburse the utility for:

- **$213 million** in remaining costs from 2004's three hurricanes.
- **About $826 million** for Wilma and Katrina-related costs.
- **About $350 million** for a fund to cover future storm damage.

SOURCE: PSC